



LAURA N. CHICK  
INSPECTOR GENERAL

STATE OF CALIFORNIA  
**OFFICE OF THE INSPECTOR GENERAL**  
AMERICAN RECOVERY ACT FUNDS

Transmitted via e-mail

September 20, 2010

Ms. Nancy Swanson, Director  
County of San Bernardino  
Transitional Assistance Department  
150 South Lena Road  
San Bernardino, CA 92415

Dear Ms. Swanson:

**Final Review Report—County of San Bernardino, Transitional Assistance Department,  
Temporary Assistance for Needy Families, Emergency Contingency Fund Review**

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act (ARRA), reviewed ARRA funds for the Temporary Assistance for Needy Families, Emergency Contingency Fund (ECF) awarded by the California Department of Social Services (CDSS). The IG reviewed ECF funds awarded to the County of San Bernardino, Transitional Assistance Department (Department) in the amount of \$3,586,671 received for the period July 1, 2009 through March 31, 2010. The review's objectives were to determine whether the Department accounted for and used ARRA funds in accordance with ARRA requirements, applicable laws, and regulations.

The results are based on our review of the ECF funds, supporting documentation provided, and interviews with staff directly responsible for administering ARRA funds. Although there were no review findings, the IG found that the Department was slow in spending ECF funds.

For the review period, the Department has only spent 27 percent (\$954,057 out of \$3,586,671) of its ECF funds received for subsidized employment. With the receipt of ECF funds, the Department expanded their already existing Work Experience (WEX) Program, which placed eligible recipients into subsidized employment positions with county agencies. The Department contracted with San Bernardino County's Workforce Development Department (WDD) and Landmark Staffing Inc. (Landmark), a private agency, to administer subsidized employment programs. These contracts were to increase the Department's subsidized employment opportunities by placing eligible recipients into subsidized employment positions with private and non-profit agencies.

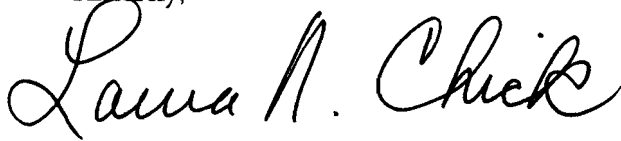
However, the Department chose not to use its ECF funds to cover all costs from their contracts with WDD and Landmark. Instead, the Department used ECF funds to cover costs for their WEX Program, which was in place prior to ARRA. As of August 11, 2010, the County had an unemployment rate of 14.3 percent and 13,671 potential candidates in the County's workforce system. With those numbers, the Department should want to maximize their ECF funds received.

As of March 31, 2010, the Department had \$2.63 million in unused ECF funds. The ECF funding is scheduled to end September 30, 2010, unless extended. Any unused ECF funds will be returned to CDSS. After ECF funding has ended, CDSS will make adjustments and apply the unused ECF funds to additional allowable costs permitted by the Federal government. After this process, CDSS will return the remaining unused ECF funds to the Federal government.

The Department's response has been included in this report. In accordance with the IG's policy of increased transparency, the final report will be placed on our website, <http://www.inspectorgeneral.ca.gov>.

We appreciate the assistance and cooperation of CDSS and the Department. If you have any questions regarding this report, please contact Angie Williams, Director of Accountability, at (916) 324-6662.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

Laura N. Chick  
California Inspector General

cc: Mr. Michael De La Rosa, Deputy Director, Transitional Assistance Department  
Ms. Mari Anton, Accountant III, Auditing Division, County of San Bernardino Human  
Services  
Mr. John A. Wagner, Director, Department of Social Services  
Ms. Cynthia Fair, Chief, Information Security and Audits, Department of Social Services



# TRANSITIONAL ASSISTANCE DEPARTMENT

150 S. LENA ROAD • SAN BERNARDINO, CA 92415-0515



COUNTY OF SAN BERNARDINO  
HUMAN SERVICES GROUP

NANCY E. SWANSON  
Director

August 24, 2010

Ms. Laura N. Chick, Inspector General  
State of California  
American Recovery and Reinvestment Act  
1400 10th Street  
Sacramento, CA 95814

Dear Ms. Chick,

This letter will serve as the response from the County of San Bernardino, Transitional Assistance Department (TAD) to the State of California, Office of the Inspector General (OIG), for the Engagement Letter we received dated August 18, 2010. The Engagement Letter conveyed to us our draft report of the results of the OIG review of our TANF ECF expenditures for the time period of July 1, 2009 through March 31, 2010.

The OIG had no review findings. However the report contends that our Department was slow in spending ECF funds. Our Department was concerned about expanding our subsidized employment program without programmatic or budgetary authority to do so. The President signed the American recovery and Reinvestment Act (ARRA) on February 17, 2009. Program instructions from the California Department of Social Services (CDSS) for expanding subsidized employment programs were not issued until September 15, 2009 via All County Letter (ACL) 09-42. Despite the ultimate issuance of the ACL, it stated that California had not received Federal approval of its TANF ECF application for subsidized employment nor had it received State budget authority for TANF ECF expenditures. The ACL also stated that Counties would be responsible for any subsidized employment costs in the event that California did not get Federal approval or if State budget authority was not granted. California finally received Federal approval for its TANF ECF subsidized employment application on October 14, 2009, which was nearly 4 months after the application was submitted.

The report states that our Department chose not to use ECF funds for all subsidized employment costs. Our Department utilized both the CalWORKs Single Allocation and TANF ECF funding to expand its subsidized employment program. Unlike TANF ECF funding which is temporary, our Single Allocation is our ongoing funding source for administration of the CalWORKs program and its various components. Our Department did not receive its State FY 09/10 Single Allocation amount until the Fall of 2009 at which time we were notified that it reflected an overall increase when compared to the State FY 08/09. Our Department runs the risk of losing our much-needed Single Allocation funding in subsequent years if we don't spend our allocated amount. A reduction in our Single Allocation funding would have crippling effects locally as our Department struggles with the increased demand by the public for CalWORKs program services. We intend to keep our subsidized employment program in place even after the temporary TANF ECF funding ends. However a reduction in subsequent Single Allocation funding could lead to possible elimination of the program.

GREGORY C. DEVEREAUX  
County Administrative Officer

Board of Supervisors  
BRAD MITZELFELT.....First District  
PAUL BIANE.....Second District  
JOSIE GONZALES.....Fifth District  
NEIL DERRY.....Third District  
GARY C. OVITT.....Fourth District

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Director

It should also be noted that prior to ARRA funding, our subsidized employment program was the largest in California. Due to the uncertainty around ECF reimbursement and allowable expenditures, it was prudent to maintain our existing program with existing funding.

The report references our unemployment rate and the potential candidates in our workforce system in relation to maximizing ECF funding. We are certainly aware of our region's high unemployment rate and the impacts associated with it. However not everyone who is unemployed receives CalWORKs. Also, not every CalWORKs recipient is ready to be placed at a job. Part of our program's success has been our ability to carefully match up qualified recipients with employers. It should also be noted that despite the subsidy and our ability to place qualified recipients, many employers are still hesitant to add to their workforce. This hesitation by employers is not isolated to our County, but is reflective throughout California and the nation as evidenced by our respective unemployment rates. At times this makes it difficult to "maximize the ECF funds available" as the report suggests.

The report also indicates that as a result of our actions any unused funds for the review period would be returned to the Federal government. This is not an accurate statement. Because of the imperfect process of estimating ECF need and reconciliation of actual dollars spent, any unused ECF funds for this time period would actually be redistributed to other Counties or offset before any additional subsequent ECF advances by the Federal government were given to California. The process in California of estimating TANF funding needs on a quarterly basis and then reconciling those estimates with actual expenditures is a process mirrored by that of the Federal government in distribution of TANF ECF funds to States.

Our Department is committed to providing subsidized employment opportunities for as many of its customers as possible. Despite the complexities surrounding the use of these funds and the challenges of implementing an expanded subsidized employment program in today's economic climate, our Department's efforts have resulted in a 152% increase in the number of people served in the program as of 6/30/10. It should also be noted that TANF ECF spending by our Department for the 4<sup>th</sup> Quarter of FFY 2010 is expected to be over \$8,000,000.

Thank you in advance for incorporating our response into your final report.

A handwritten signature in black ink that reads "Nancy Swanson".

Nancy Swanson, Director  
San Bernardino County  
Transitional Assistance Department  
(909) 388-0245  
nswanson@hss.sbcounty.gov

GREGORY C. DEVEREAUX  
County Administrative Officer

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The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act (ARRA) Funds issued a draft review report to the County of San Bernardino, Transitional Assistance Department (Department) on August 18, 2010. We received the Department's response to that report on August 24, 2010.

The Department attributed its low spending to the State's delay in obtaining Federal approval for its Temporary Assistance for Needy Families (TANF), Emergency Contingency Fund (ECF) for subsidized employment. However, the Department stated in its response that prior to ARRA funding; its subsidized employment program was the largest in California. With the additional funding through ARRA, and an established subsidized employment program with an employer network already in place, ECF funds could have been immediately maximized along with its Single Allocation funds once the Federal approval was received on October 14, 2009. In addition, the Department states that it needed to use the regular TANF Single Allocation funds first before using the one-time ARRA money because the next year's allocation is based upon what they spend now. This is not true. The CDSS has told us the allocation is not based on a county's prior year expenditures.

The Department stated that unused ECF funds would actually be redistributed to other Counties or offset, not returned to the Federal government as stated in the draft report. It is the IG's understanding that counties must expend all TANF ECF funds by September 30, 2010. Any unspent funds will eventually be returned to the federal government.

Lastly, the IG is unclear how the Department expects to report an estimated \$8 million in expenditures for the federal fiscal year 4<sup>th</sup> quarter (July 2010 through September 2010) when it has only been reporting an average of \$340,000 for each quarter.

Thank you again for your cooperation during the review and for your timely response.